



# NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

**FOR IMMEDIATE RELEASE  
DECEMBER 9, 2003**

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## **TREASURER ANGELIDES RESPONDS TO MOODY'S DOWNGRADE OF STATE'S CREDIT RATING TO 'Baa1' FROM 'A3'**

SACRAMENTO, CA – State Treasurer Phil Angelides had the following comment today in response to Moody's Investors Service's announcement that the credit rating agency has downgraded its rating on California's general obligation bonds one notch, to "Baa1" from "A3." According to Moody's, the downgrade reflects the Governor's "recent action to cut the Vehicle License Fee (VLF), with immediate effect, as well as the continuing inability to reach political consensus on solutions to [California's] budget and financial problems." Moody's said the Governor's decision to cut the VLF "is expected to significantly increase what is already projected to be a very substantial deficit over the next eighteen months." (Moody's estimates the VLF reduction will increase the State's cash shortfall through June 2005 by \$7.5 billion):

"Today's action by Moody's is an ominous sign that California is headed for a financial meltdown unless responsible actions are taken to balance our budget. The Governor must put forth a real plan for a structurally balanced budget – with no gimmicks and no tricks.

"So far, the Governor is going the wrong way. As Moody's indicated, he has deepened our budget deficit. And, the Governor's current proposals – a massive borrowing plan and a spending cap – merely create the illusion of a solution. They will do nothing to move us closer to a balanced budget, or to set us on the road to improving the credit rating of the State. Instead, his budget plan is an irrelevant, fiscally irresponsible scheme that mortgages our children's future without restoring our fiscal integrity."

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